

THE COPYRIGHT ACT, as it relates to “works made for hire” and computer software

The Copyright Act - “works made for hire”:

The Copyright Act of 1976, 17 USC 201(a), provides that copyright ownership vests initially in the author or authors of the work. A person who conceives an idea is not an author. 17 USC 102(b). As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection. The Act carves out an important exception, however, for “works made for hire.” If the work is a “work made for hire,” the employer or other person for whom the work was prepared is considered the author and owns the copyright, unless there is a written agreement to the contrary. 17 USC 201(b).

The Copyright Act defines a “work made for hire” as either “a work prepared by an employee within the scope of his or her employment” or one of certain works specially ordered or commissioned which by an express written agreement by the parties specifically states that the ordered or commissioned work is to be considered a “work made for hire.” 17 USC 101. Accordingly, a “work made for hire” arrangement requires that an employee prepare the work or that the work be specially commissioned with an express written agreement by the parties which specifically states that the work is to be “work made for hire.”

The Copyright Act further distinguishes works from “works made for hire” in the term or duration of copyright protection afforded to the author. 17 USC 302. For works created on or after January 1, 1978, the duration of the copyright is the life of the author plus 70 years after the author’s death, 17 USC 302(a), whereas for “works made for hire,” this term is 95 years from the year of its first publication or 120 years from the year of its creation, whichever expires first. 17 USC 302(c).

“Employee, Employment, Scope of Employment”:

The Copyright Act, 17 USC 201(a), does not define the terms “employee,” “employment,” or “scope of employment” and, consequently, the application of these terms is left to the courts. To determine whether a work is for hire under the Act, a court first should ascertain, using principles of the general common law of agency, whether the work was prepared by an employee or an independent contractor.

In determining whether a hired party is an employee under the general common law of agency, the court must consider the hiring party's right to control the manner and means by which the product is accomplished. Among other factors relevant to this inquiry are the skill required; the source of the instrumentalities and tools; the location of the work; the duration of the relationship between the parties; whether the hiring party has the right to assign additional projects to the hired party; the extent of the hired party's discretion over when and how long to work; the method of payment; the hired party's role in hiring and paying assistants; whether the work is

part of the regular business of the hiring party; whether the hiring party is in business; the provision of employee benefits; and the tax treatment of the hired party. No single factor is determinative.

Some of these factors will often have little or no significance in determining whether a party is an independent contractor or an employee in an infringement action pursuant to the Copyright Act, 17 USC 201. In contrast, there are some factors that will be significant in virtually every situation. These include: (1) the hiring party's right to control the manner and means of creation; (2) the skill required; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the right to assign additional projects to the hired party. These factors will almost always be relevant and should be given more weight in the analysis, because they will usually be highly probative of the true nature of the employment relationship.

For an analysis of the distinction between who is the owner of a copyright as determined by the type of contribution made in the creation of the work, the distinction between employee versus independent contractor, and the agreement necessary to define a “work made for hire,” see *BancTraining Video Systems v. First American Corp.*, 21 U.S.P.Q.2D 2014 (1992).

Computer Programs:

One of the fundamentals of copyright law is that a copyright does not protect an idea, but only the expression of the idea. 17 USC 102(b) codifies the idea/expression distinction. This idea/expression dichotomy applies to computer programs. Thus, in general, the portions of a computer program that are ideas are nonprotectable, and the portions that represent expression may be protected. Infringement is shown by a substantial similarity of protectable expression, not just an overall similarity between the works. Separating idea from expression, then, is one of the basic parts of a substantial similarity analysis.

In a copyright infringement action, a plaintiff may prove defendant's copying either by direct evidence or, as is most often the case, by showing that the defendant had access to the plaintiff's copyrighted work, and defendant's work is substantially similar to the plaintiff's copyrighted material. These two types of circumstantial evidence of infringement are accepted because direct evidence of copying is rarely available.

For an analysis of “work made for hire” and the distinction between employee versus independent contractor in an action brought for copyright infringement of a computer program developed by the employee while employed and who later left his employment to continue independent development of that program, see *MacLean Assoc., Inc. v. Wm. M. Mercer-Meidinger-Hansen, Inc.*, 21 U.S.P.Q.2D 1345 (1991). It should be noted that in the court's analysis of the issue relating to whether the employee's work was “work made for hire,” the court indicated that the computer software developed by the employee did not fall within any of the nine categories of “specially ordered or commissioned” works enumerated in 17 USC 101(2), nor was there any written agreement between the parties that the software was such a work.

Accordingly, if the computer software was to be considered a “work made for hire,” it had to result from an employee-employer relationship.

In the related case of *Avtec Systems, Incorporated v. Jeffrey G. Peiffer; Kisak-Kisak, Incorporated; Paul F. Kisak*, 38 U.S.P.Q.2D 1922 (1995), the employee, while working at home, developed a computer software program in an area somewhat similar to that of his scope of employment, at times brought copies to his place of employment to work on, demonstrated the program to his employer, incorporated suggestions made by his employer and a fellow employee, demonstrated the program to potential customers of his employer and received a bonus from his employer for his development. The employer, not being interested in the program, arranged for the employee to market his program through another company, which he did, resulting in the generation of substantial gross revenues, with the employee receiving half. Thereafter, the employer registered for a copyright, the employee left, and the employer filed a complaint against the employee and the other company alleging copyright infringement and other assorted causes of action.

Referring to the Copyright Act, the court indicated that copyright ownership of a work is presumed to vest in its author, “the person who translates an idea into a fixed, tangible expression,” unless that person's employer can establish, the burden being on the employer, that it is a “work made for hire.” Additionally, if a work is one made for hire, the employer for whom it was prepared is considered the author and is presumed to own the copyright. The work-for-hire exception is overridden only by a clear writing, signed by the parties, that reserves authorship rights to the employee. In the case at hand, no such writing existed. The employer can show that a work is a “work made for hire” by establishing that it was (1) created by an employee (2) acting within the scope of the employment relationship.

Noting that the copyright statute does not define “scope of employment,” the court indicated that it was the intent of Congress to incorporate common law agency principles into the copyright statute. Citing the Restatement (Second) of Agency, the court further indicated that to find that the creation of the program was within the scope of the employee’s employment, the employer had to show that (1) the work was of the type for which the employee was hired to perform; (2) the employee’s creation of the program occurred “substantially within the authorized time and space limits” of his job; and (3) was “actuated, at least in part, by a purpose to serve” the employer’s interests. In this instance, the first element was indisputably satisfied. Accordingly, the decision rested on the facts relating to the second and third elements. Reviewing the facts, the court then held that the employee owned the copyright and required the employer to withdraw its copyright application.

The Point of Contact for this subject in the CECOM Legal Office is Mr. Raymond Ross, (732) 532-9792; DSN 992-9792.

KATHRYN T. H. SZYMANSKI
Chief Counsel